

**CITY OF MILTON**  
**Pierce County, Washington**  
**January 1, 1994 Through December 31, 1994**

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**Schedule Of Findings**

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1. Council Approval Should Be Required For Expenditures Exceeding \$500

During our audit of expenditures for the city, we noted several expenditures greater than \$500 which were made without council approval. We noted eight instances where purchases were split in order to stay below the \$500 limit. In one instance a purchase of six tires for the same tractor were split into three purchase orders.

*Milton Municipal Code (MMC) Section 3.20 .010 states in part:*

No employee or official of the city shall authorize the expenditure of city funds, or obligate the city or undertake, initiate or proceed with any contracted public work or services exceeding \$500 except upon prior approval of the city council.

We also noted a police department expenditure, which although in compliance with the letter of MMC Section 3.20.010, clearly violates its intent. The initial price was over the \$500 limit but with the cooperation of the vendor the final bill was reduced to \$499.99 in order to avoid the need for prior council approval.

When expenditures over \$500 are made without prior council approval, the council is deprived of the ability to exercise their authority over the disbursement of public funds. A valuable control has been bypassed which affects the reliability of the internal controls over the expenditure system.

We recommend that the city refrain from splitting purchases in order to avoid the need for council approval.

2. Expenditures Should Be Limited To Appropriations

During our review of the city's compliance with budgetary restrictions we noted that the following funds expended more than their authorized appropriations:

- Cumulative Reserve Fund expenditures exceeded appropriations by \$2,500
- Uniform Controlled Substances Fund expenditures exceeded appropriations by \$2,693
- Criminal Justice Fund expenditures exceeded appropriations by \$4,064
- Insurance Reserve Revolving Fund expenditures exceeded appropriations by \$6,842.

RCW 35A.33.125 states in part:

Liabilities incurred by any officer of the city in excess of any budget appropriations shall not be a liability of the city. The clerk shall issue no warrant and the city council or other authorized person shall approve no claim for an expenditure in excess of the total amount appropriated for any individual fund.

Management stated they were unaware that expenditures were limited solely to appropriations and not the approved budget amount which included ending fund balance.

When expenditures are made without budgetary authority, the citizens of the city are denied the opportunity to participate in the decision making process.

We recommend that the city revise its budget and accounting procedures to ensure that the city has the legal authority for the expenditures it makes.

3. Unallowable Payments To Volunteer Firefighters Should Be Recovered

During our audit of the city we reviewed expenditures of the Milton Volunteer Fire Department for the 1994 year. We noted that two of the volunteer firefighters tested had not attended the minimum number of emergency drills during the 1994 year. Furthermore, training files of three out of ten volunteers selected did not contain sufficient evidence that the firefighters met the minimum training requirements required by the department's own *Training Manual*, *Standard Operating Guidelines*, and the *Washington Administrative Code* (WAC).

WAC 296-305-064 states:

Training shall be provided to fire fighters and officers in order that they will be knowledgeable in the identification of asbestos containing materials . . . .

WAC 296-305-063 requires that firefighters shall be trained in the use of self contained breathing apparatus, and that:

After completing such training, each firefighter shall practice at least quarterly, for each type and manufacture of respirator . . . .

As a result, we found that three of the ten firefighters reviewed had not met the minimum qualifications for service as active members of the Milton Volunteer Fire Department. These three firefighters were paid \$2,525.64 for responding to emergency calls during 1994.

The fire department also has an informal policy of allowing the volunteer firefighters to "check out" fire department equipment for home use. Items firefighters borrowed included computer equipment, furniture, and jumper cables. We also noted that the city purchased jackets for several firefighters to be paid for out of the firefighter's later reimbursement for expenses. These practices may constitute loans of city resources to the firefighters.

Article VIII, Section 7, of the Washington State Constitution states:

No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company, or corporation . . . .

We recommend that the city recover \$2,525.64 paid to the nonqualifying firefighters during the 1994 year. We further recommend that the city refrain from purchasing items for their firefighters to be repaid out of later firefighter reimbursements. Also, we recommend that the city cease allowing firefighters to take city equipment home for personal use without a formal policy.

4. Data Processing Controls Should Be Improved

As a part of the 1994 annual audit we followed up on recommendations made during the 1993 audit concerning data processing controls. While the city has taken steps to better define the function of the systems administrator and to improve off-site storage of backup data, we noted that little progress has been made in the area of restricting "root" access to the system.

Access is available to every sector of the system through use of the "root" logon. This "root" logon is not password protected. The use of the "root" command allows any user, regardless of their assigned access level, to upgrade their access to that of a "superuser." A "superuser" has unlimited, and potentially unlogged, access to the system and can view, alter, or even delete any of the city's data files, including budgetary data, payroll information, and even the passwords of other legitimate users. This ease of access substantially increases the risk of errors or irregularities entering the system without timely detection.

We recommend that the use of the "root" logon be restricted to the system administrator and protected by password.

5. Cash Handling Procedures At Milton Library Should Be Improved

We reviewed the operations of the Milton Library as a part of our 1994 audit of the city as a whole.

The library collects cash for library cards, fines for overdue materials, and photocopies. We noted that these moneys were kept in a bag in a drawer at the circulation desk rather than properly safeguarded. Access to this drawer is unrestricted and uncontrolled among library employees. These funds are deposited with the city treasurer approximately once a month.

RCW 43.09.240 requires that:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the taxing district once every twenty-four consecutive hours.

Receipts are not commonly written when funds are received at the library. A running total of the collections is maintained in a notebook, but this record cannot be reconciled to the monthly deposits. There does not appear to be any means available to verify that these monthly deposits are complete.

RCW 43.09.200 requires that the city's accounting records show:

. . . all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . . .

Because of the inadequacy of internal controls over cash collection and accounting at the library, we were unable to determine whether all funds collected at the library were deposited intact for the use of the library.

We recommend that the city improve cash handling controls at the library including daily deposit of funds, completion of a receipt for every transaction, and controlling access to the cash drawer.